

**Company Registration No. 00315155**

**Music Sales Limited**

**Report and Financial Statements**

**31 December 2015**



# **Music Sales Limited**

## **Report and financial statements 2015**

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# **Music Sales Limited**

## **Report and financial statements 2015 Officers and professional advisers**

### **Directors**

R Wise  
M B Wise  
T Wise  
I C Morgan  
D B Rockberger  
C M Butler  
A E Latham  
N J M Kemp  
I N Gilroy  
C I Hargrave (resigned 12 July 2016)

### **Company Secretary**

N J M Kemp

### **Registered Office**

14/15 Berners Street  
London  
United Kingdom  
W1T 3LJ

### **Bankers**

Coutts & Co  
440 Strand  
London  
United Kingdom  
WC2R 0QS

# **Music Sales Limited**

## **Strategic report Year ended 31 December 2015**

The directors present their strategic report for the year ended 31 December 2015

### **Business review and principal activities**

The Company continues to trade in the publishing, wholesaling and retailing of printed music, books, music software and accessories and represents many of the large UK and US music publishers for their printed music

As shown in the Company's profit and loss account on page 5, the Company made a loss after taxation for the year of £2,701,538 (period to 31 December 2014 loss of £834,777)

The balance sheet on page 6 shows that the Company's net assets at 31 December 2015 are £20,749,919 compared with £23,451,457 at 31 December 2014 The Company's cash levels at 31 December 2015 were £3,318,078 (31 December 2014 £3,115,659)

### **Key performance indicators**

The Music Sales Group manages its operations on the basis of business units which span legal entities For this reason, the Company's directors do not consider that presentation of non-financial indicators for the Company are necessary or appropriate for an understanding of the development, performance or position of the business

The Company takes care to minimise the impact of its operation on the environment

### **Principal risks and uncertainties**

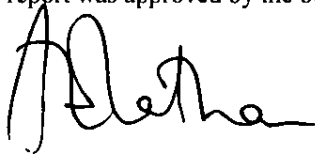
The Company operates in a highly competitive market which is a continuing risk to the Company and could result in losing sales to its key competitors The Company manages this risk by providing high quality services to its customers, having fast response times to customer queries and maintaining strong relationships with its customers

The Company's sales to its customers are worldwide and therefore the Company is exposed to movement in exchange rates The Company sources some of its products in local territories and therefore minimises the risk of exchange rate fluctuations by operating local currency bank accounts

### **Future developments**

The result for 2015 was impacted by challenging market conditions for print publishing The level of underlying business is satisfactory and the directors look to the future with confidence The Company is in a net assets and net current assets position

This report was approved by the board on 22 December 2016 and signed on its behalf



A E Latham  
Director

# Music Sales Limited

## Directors' report Year ended 31 December 2015

The directors present their annual report and the audited financial statements for the year ended 31 December 2015

### Directors

The directors who served throughout the year and to the date of this report, except as noted, were as follows

R Wise	M B Wise	T Wise
I C Morgan	D B Rockberger	C M Butler
A E Latham	N J M Kemp	I N Gilroy
C I Hargrave (resigned 12 July 2016)		

### Dividends

The directors do not recommend the payment of a dividend on ordinary shares for 2015 (2014 £nil)

### Strategic report

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report. This includes a review of the development of the business of the Company during the year, of its position at the end of the year, of its principal risks and uncertainties, and of the likely future developments in its business.

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. More information is provided in note 1 to the financial statements.

### Donations

Donations to charitable organisations amounted to £nil (2014 £nil)

### Employees

The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company. The Company supports the employment of disabled people wherever possible.

Approved by the Board of Directors and signed on behalf of the Board



A E Latham  
Director

22 December 2016

14/15 Berners Street  
London W1T 3LJ  
United Kingdom

## **Music Sales Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Music Sales Limited

### Profit and loss account Year ended 31 December 2015

	Notes	12 months to 31 December 2015 £	12 months to 31 December 2014 £
<b>Turnover</b>	3	19,746,755	21,270,960
<b>Cost of sales</b>		(11,749,261)	(12,387,768)
<b>Gross profit</b>		7,997,494	8,883,192
Distribution costs		(2,944,436)	(2,901,613)
Administrative expenses		(12,102,596)	(11,219,724)
Other operating income		3,018,426	3,022,265
<b>Operating loss</b>	5	(4,031,112)	(2,215,880)
Income from shares in group undertakings	6	197,354	541,845
Income from participating interests	7	450,000	500,000
Interest receivable and similar income	8	122,673	155,509
Interest payable and similar charges	9	(90,811)	(242,246)
<b>Loss on ordinary activities before taxation</b>		(3,351,896)	(1,260,772)
Tax on loss on ordinary activities	10	650,358	425,995
<b>Loss for the financial year/period</b>	20	(2,701,538)	(834,777)

All activities derive from continuing operations

There are no items of comprehensive income, other than shown above, accordingly, no separate statement of comprehensive income is given

# Music Sales Limited

## Balance sheet

As at 31 December 2015

	Notes	31 December 2015 £	31 December 2014 £
<b>Fixed assets</b>			
Intangible assets	11	1,850,067	1,726,426
Tangible assets	12	563,722	361,064
Investments	13	5,983,453	5,983,453
		<u>8,397,242</u>	<u>8,070,943</u>
<b>Current assets</b>			
Stocks	14	5,598,954	5,139,525
Debtors			
Amounts falling due within one year	15	26,617,133	26,105,704
Amounts falling due after more than one year	15	14,263,974	14,342,368
Cash at bank and in hand		3,318,077	3,115,659
		<u>49,798,138</u>	<u>48,703,256</u>
<b>Creditors</b> amounts falling due within one year	16	(34,048,838)	(29,472,910)
<b>Net current assets</b>		<u>15,749,300</u>	<u>19,230,346</u>
<b>Total assets less current liabilities</b>		<u>24,146,542</u>	<u>27,301,289</u>
<b>Creditors:</b> amounts falling due after more than one year	16	(3,396,623)	(3,849,832)
<b>Net assets</b>		<u>20,749,919</u>	<u>23,451,457</u>
<b>Capital and reserves</b>			
Called-up share capital	18	21,000	21,000
Profit and loss account	19	20,728,919	23,430,457
<b>Shareholder's funds</b>	20	<u>20,749,919</u>	<u>23,451,457</u>

For the year ending 31/12/2015 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

Directors' responsibilities

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476,
- the directors acknowledge their responsibilities for complying with the requirements of this Act with respect to accounting records and the preparation of accounts

The financial statements of Music Sales Limited, registered number 00315155 were approved by the board of directors and authorised for issue on

Signed on behalf of the Board of Directors

A E Latham  
Director



22/12/2016



## Music Sales Limited

### Statement of changes in equity As at 31 December 2015

	Called-up share capital	Profit and loss account	Total
	£	£	£
At 1 January 2015	21,000	23,430,457	23,451,457
Profit for the financial year	-	(2,701,538)	(2,701,538)
Total comprehensive income	-	(2,701,538)	(2,701,538)
Dividends paid on equity shares		-	-
At 31 December 2015	21,000	20,728,919	20,749,919

# **Music Sales Limited**

## **Notes to the financial statements** **Year ended 31 December 2015**

### **1 Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding 12-month period.

These audited financial statements cover a period of 12 months, 1 January 2015 to 31 December 2015.

#### **General information and basis of accounting**

Music Sales Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Music Sales Group Limited, which may be obtained at the Company's registered office. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement.

#### **Going concern**

Despite the Company making a loss in the year of £2,701,538, Music Sales Limited holds net current assets of £14,007,765, net assets of £20,749,919 and a positive cash balance of £3,318,077 as at 31 December 2015. The directors have a reasonable expectation that the Company has adequate resources to return to profitability and to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Consolidation**

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 not to prepare group financial statements. The Company is a wholly-owned subsidiary of a Company registered in the United Kingdom which prepares group financial statements, into which the results of the Company are consolidated.

#### **Cash flow statement**

The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) 'Cash flow statements' and has not prepared a cash flow statement. A consolidated cash flow statement is shown in the consolidated financial statements of Music Sales Group Limited.

#### **Turnover**

Turnover is the total amount of income receivable by the Company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT. Turnover from the sale of goods is recognised when the physical goods are despatched to the customer or when the digital sheet music products have been successfully downloaded and the amount is reliably measured.

#### **Investments**

Investments are included at cost less amounts written off. Listed investments are shown at cost or market value, if this is lower. Profits or losses arising from disposals of fixed asset investments are treated as part of the results from ordinary activities. Where investments in group undertakings include copyrights, the copyrights are classified under intangible fixed assets.

# Music Sales Limited

## Notes to the financial statements Year ended 31 December 2015

### 1. Accounting Policies (continued)

#### Intangible fixed assets

Amortisation initially recognised at cost is calculated to write off the cost of an asset, less estimated residual value, over the useful economic life of the asset as follows

Copyrights & Print rights	10-20 years
Software development	2-10 years

Amortisation of rights commences in the month following purchase, amortisation of software development commences when the software is implemented and being used by the business to generate revenues or operate and control business processes. Provision is made for any impairment.

#### Tangible fixed assets

Tangible assets are stated at cost, net of accumulated depreciation and provision for impairment. Depreciation is calculated to write off the cost of an asset, less its estimated residual value, over the useful economic life of the asset as follows

Leasehold property	10 years
Fixtures, fittings and equipment	3-5 years

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the purchase or production price of goods.

Work in progress is valued on the basis of direct costs based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

#### Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the year of the lease. Rentals under operating leases are charged on a straight-line basis over the term of the lease.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

#### Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### (i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# Music Sales Limited

## Notes to the financial statements Year ended 31 December 2015

### 1 Accounting policies (continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method

- (a) The contractual return to the holder is (i) a fixed amount, (ii) a positive fixed rate or a positive variable rate, or (iii) a combination of a positive or a negative fixed rate and a positive variable rate
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate, (2) to protect the holder against credit deterioration of the issuer, (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law, or (ii) the new rate is a market rate of interest and satisfies condition (a)
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c)

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires

#### (ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs

### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

# **Music Sales Limited**

## **Notes to the financial statements Year ended 31 December 2015**

### **1. Accounting policies (continued)**

#### **Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **Pension costs**

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

#### **Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

### **2 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### **Revenue recognition**

Royalty income is recognised on a cash basis.

#### **Key source of estimation uncertainty – impairment of investments**

Determining whether investments are impaired requires a review of their value to the Company. The value is appraised with reference to the carrying value of the net assets of the underlying entity.

Determining whether stock is obsolete or not requires an estimation of future sales. The Company takes the approach that any stock over three years old should be regarded as obsolete and fully provided for.

## Music Sales Limited

### Notes to the financial statements Year ended 31 December 2015

#### 3. Turnover

The turnover and loss before taxation have been derived from the Company's continuing activities and are attributable to the publishing, wholesale and retail distribution of printed music and books

An analysis of turnover by geographical market is given below	12 months to 31 December 2015 £	12 months to 31 December 2014 £
United Kingdom	13,841,440	15,183,826
Other European countries	4,621,231	4,690,247
USA and Canada	556,076	496,205
Australia and New Zealand	21,422	97,854
Other countries	706,586	802,828
	<u>19,746,755</u>	<u>21,270,960</u>

An analysis of the Company's revenue is as follows	12 months to 31 December 2015 £	12 months to 31 December 2014 £
Sale of goods	16,778,564	17,978,714
Rendering of services	239,200	283,994
Royalties	1,663,274	1,672,412
Commissions	1,065,717	1,335,840
	<u>19,746,755</u>	<u>21,270,960</u>

# Music Sales Limited

## Notes to the financial statements Year ended 31 December 2015

### 4. Information regarding directors and employees

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
<b>Directors' emoluments</b>		
Emoluments receivable	2,272,184	2,226,811
Value of Company pension contributions to money purchase schemes	78,368	76,844
	<u>2,350,552</u>	<u>2,303,655</u>
<b>Emoluments of highest paid director</b>		
Total emoluments (excluding pension contributions)	<u>455,728</u>	<u>446,067</u>
	<b>No</b>	<b>No.</b>
<b>The number of directors who accrued benefits under Company pension schemes was as follows</b>		
Money purchase schemes	<u>4</u>	<u>5</u>
<b>The average number of staff, including directors, employed by the Company during the financial year/period amounted to:</b>	<b>No.</b>	<b>No.</b>
Distribution	55	60
Administrative	95	95
	<u>150</u>	<u>155</u>
	<b>£</b>	<b>£</b>
<b>The aggregate payroll costs of the above were:</b>		
Wages and salaries	6,162,716	6,230,352
Social security costs	670,793	681,976
Other pension costs	246,710	248,543
	<u>7,080,219</u>	<u>7,160,871</u>

All employees are employed by Music Sales Limited. A proportion of the above costs are recharged to group and related companies in respect of services provided by these employees to those companies.

# Music Sales Limited

## Notes to the financial statements Year ended 31 December 2015

### 5. Operating loss

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
<b>Operating loss is after charging/(crediting):</b>		
Amortisation of owned fixed assets	381,208	419,877
Depreciation of owned fixed assets	175,959	190,224
Gain on disposal of fixed assets	131,957	(6,776)
Write down of investment	-	40,476
Fees payable to the Company's auditor for the audit of the annual financial statements	-	60,000
Tax services	72,842	111,500
Operating lease rentals		
Land and buildings	930,003	1,230,435
Other	98,282	207,142
Net loss on foreign currency translation	31,762	173,880
Impairment of stock recognised as an expense	195,006	274,485

### 6. Income from shares in group undertakings

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
Dividends receivable from group undertakings	197,354	541,845

### 7. Income from participating interests

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
Dividends receivable from participating interests	450,000	500,000

### 8. Interest receivable and similar income

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
Bank interest receivable	4,188	1,380
Interest receivable from group undertakings	118,412	153,080
Interest receivable from related party undertakings (note 24)	73	1,049
	122,673	155,509



# Music Sales Limited

## Notes to the financial statements Year ended 31 December 2015

### 9 Interest payable and similar charges

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
Bank loans and overdrafts	41,165	39,810
Finance leases and hire purchase contracts	12,700	24,128
Interest payable to group undertakings	12,827	20,271
Interest payable to related party undertakings (note 25)	23,719	157,957
Other similar charges	400	80
	<u>90,811</u>	<u>242,246</u>

### 10. Tax on loss on ordinary activities

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
<b>Current</b>		
United Kingdom corporation tax based on the result for the year/period at 20.25% (2014: 21.49%)		-
Group relief receivable	(203,819)	(298,629)
Adjustment to prior periods	-	31,486
Foreign taxation	-	4,305
	<u>(203,819)</u>	<u>(262,838)</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(502,888)	(148,769)
Adjustment to prior periods	5,783	(14,388)
Effect of tax change on opening balance	50,566	-
	<u>(650,358)</u>	<u>(425,995)</u>
Tax credit on loss on ordinary activities		

## Music Sales Limited

### Notes to the financial statements Year ended 31 December 2015

#### 10. Tax on loss on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20 25% (2014 21 49%) The actual tax charge for the current year and the previous period differs from the standard tax rate for the reasons set out in the following reconciliation

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
Loss on ordinary activities before tax	(3,350,896)	(1,260,772)
Tax on losses on ordinary activities at standard rate	(653,711)	(270,980)
Factors affecting charge for the period		
Expenses not deductible for tax purposes	11,712	-
Income not deductible for tax purposes	(131,067)	(192,205)
Other permanent differences	-	(925)
Capital allowances in excess of depreciation	-	(36,323)
Fixed asset differences	3,594	5,605
Group relief surrendered	203,819	298,629
Receipt for group relief	(203,819)	(298,629)
Adjustments to tax charge in respect of previous periods	-	31,486
Adjustments to tax charge in respect of previous periods – Deferred tax	5,783	-
Adjust closing deferred tax to average rate of 20 25%	119,566	-
Adjust opening deferred tax to average rate of 20 25%	(6,234)	-
Foreign tax credits	-	4,305
Other short term timing differences	-	-
Unrelieved tax losses and other deductions arising in the period	446,539	196,199
Rounding	(1)	-
Total actual amount of current tax	(203,819)	(262,838)

## Music Sales Limited

### Notes to the financial statements Year ended 31 December 2015

#### 11. Intangible fixed assets

	Software Development £	Copyrights/ Print rights £	Goodwill £	Total £
<b>Cost</b>				
At 1 January 2015	1,666,101	2,510,981	-	4,177,082
Additions	168,420	157,176	310,081	635,677
Inter-group transfers	1,869			1,869
Disposals	(131,684)			(131,684)
At 31 December 2015	1,704,706	2,668,157	310,081	4,682,944
<b>Amortisation</b>				
At 1 January 2015	681,113	1,769,543	-	2,450,656
Charge for the year	138,077	212,123	31,008	381,208
Inter-group transfers	1,013			1,013
At 31 December 2015	820,203	1,981,666	31,008	2,832,877
<b>Net book value</b>				
At 31 December 2015	884,503	686,491	279,073	1,850,067
At 31 December 2014	984,988	741,438	-	1,726,426

#### 12. Tangible fixed assets

	Leasehold land and buildings improvements £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2015	329,527	4,861,934	15,052	5,206,513
Additions		380,163		380,163
Transfers		(2,595)		(2,595)
Disposals	(26,732)	(1,471,988)	(15,052)	(1,513,772)
At 31 December 2015	302,795	3,767,514	-	4,070,309
<b>Depreciation</b>				
At 1 January 2015	297,783	4,532,614	15,052	4,845,449
Charge for the year	5,599	170,360		175,959
Transfers		(1,323)		(1,323)
On Disposals	(26,732)	(1,471,714)	(15,052)	(1,513,498)
At 31 December 2015	276,650	3,229,937	-	3,506,587
<b>Net book value</b>				
At 31 December 2015	26,145	537,577	-	563,722
At 31 December 2014	31,744	329,320	-	361,064

## Music Sales Limited

### Notes to the financial statements Year ended 31 December 2015

#### 13. Investments

	Subsidiary undertakings £	Associate companies £	Unlisted investments £	Total £
<b>Cost</b>				
At 1 January 2015 and 31 December 2015	6,280,590	44,629	52,614	6,377,833
<b>Amounts written off</b>				
At 1 January 2015	349,210	-	45,170	394,380
Written off in the year				
At 31 December 2015	349,210	-	45,170	394,380
<b>Net book value</b>				
At 31 December 2015	5,931,380	44,629	7,444	5,983,453
At 31 December 2014	5,931,380	44,629	7,444	5,983,453

In the opinion of the directors the aggregate value of the shares in the group undertakings is not less than the aggregate amount at which those assets are stated in Music Sales Limited's balance sheet

Key Subsidiaries	Country of registration	Proportion held	Nature of business
Music Sales Properties Limited	United Kingdom	100% directly	Property Company
Music Sales Properties No 2 Limited	United Kingdom	100% indirectly	Property Company
Music Sales Properties No 3 Limited	United Kingdom	100% directly	Property Company
Charanga Limited	United Kingdom	60% directly	Digital Education
Edition Wilhelm Hansen AS Copenhagen	Denmark	100% directly	Music publishing
Storyville Records ApS	Denmark	100% indirectly	Music publishing
Edition Wilhelm Hansen GmbH	Germany	100% directly	Music publishing
Union Musical Ediciones SL	Spain	99.98% directly	Music publishing
K K Music Sales	Japan	100% directly	Music publishing

#### Associates and joint ventures

Hal Leonard Europe Limited	United Kingdom	50% directly	Music publishing
Hao Hao Music Sales Ltd	United Kingdom	50% indirectly	Music publishing
Music Sales Furtados India PVT Ltd	United Kingdom	50% directly	Music publishing

A complete list of the subsidiary and associated undertakings (trading and dormant) will be attached to the Annual Return made to the Registrar of Companies. Unless otherwise stated all shares held are ordinary shares.

The following subsidiary of Music Sales Limited has taken advantage of the audit exemption provisions under section 479A of the Companies Act 2006 in relation to their annual financial statements for the financial year ended 31 December 2015

Music Sales Properties Limited

# Music Sales Limited

## Notes to the financial statements Year ended 31 December 2015

### 14 Stocks

	31 December 2015 £	31 December 2014 £
Raw materials	41,143	43,955
Work in progress	468,655	373,233
Finished goods	5,089,156	4,722,337
	<u>5,598,954</u>	<u>5,139,525</u>

There were no significant differences between the replacement cost and values disclosed for any categories of stock

### 15 Debtors

	31 December 2015 £	31 December 2014 £
<b>Amounts falling due within one year</b>		
Trade debtors	6,369,475	7,923,085
Amounts owed by group undertakings	16,053,260	15,177,707
Amounts owed by related party undertakings (note 25)	2,421,219	1,639,908
Prepayments and accrued income	615,911	475,557
Taxation recoverable	20,685	19,333
Other debtors	178,599	358,669
Deferred taxation (note 16)	957,984	511,445
	<u>26,617,133</u>	<u>26,105,704</u>
<b>Amounts falling due after more than one year</b>		
Trade debtors	-	-
Amounts owed by group undertakings	14,220,187	14,298,581
Amounts owed by related party undertakings (note 25)	43,787	43,787
	<u>14,263,974</u>	<u>14,342,368</u>

# Music Sales Limited

## Notes to the financial statements Year ended 31 December 2015

### 16. Creditors

	31 December 2015 £	31 December 2014 £
<b>Amounts falling due within one year</b>		
Trade creditors	4,311,963	4,928,077
Amounts owed to group undertakings	25,788,486	22,277,717
Amounts owed to related undertakings (note 25)	1,036,757	690,142
Other taxation and social security	778,275	298,151
Other creditors	917,428	374,490
Accruals and deferred income	984,060	644,211
Bank loan	160,000	155,000
Obligations under finance leases	71,869	105,122
	<u>34,048,838</u>	<u>29,472,910</u>
<b>Amounts falling due after more than one year</b>		
Bank loans	1,741,535	1,901,535
Obligations under finance leases	103,436	17,279
Amounts owed to group undertakings	-	-
Amounts owed to related undertakings (note 25)	1,551,652	1,931,018
	<u>3,396,623</u>	<u>3,849,832</u>

Bank loans comprise a Loan of £160,000 which is repayable annually over three equal instalments expiring July 2016 with interest charged at 3% above LIBOR and a Revolving Credit facility of £1,741,535 which matures in November 2018 with interest charged at 3% above LIBOR. The bank loans are secured.

Borrowings are repayable as follows

	31 December 2015 £	31 December 2014 £
<b>Bank loans</b>		
Within one year	160,000	155,000
In more than one year but not more than two years	-	1,901,535
In more than two years but not more than five years	1,741,535	-
	<u>1,901,535</u>	<u>2,056,535</u>
<b>Finance leases</b>		
Within one year	71,869	105,122
In more than one year but not more than two years	51,242	17,279
In more than two years but not more than five years	52,194	-
	<u>175,305</u>	<u>122,401</u>

## Music Sales Limited

### Notes to the financial statements Year ended 31 December 2015

#### 17. Deferred taxation

The deferred tax included in the balance sheet is as follows

	£
At 1 January 2015	511,445
Profit and loss account charge	446,539
At 31 December 2015	<u>957,984</u>
The balance consists of	

	Recognised		Unrecognised	
	31 December 2015	31 December 2014	31 December 2014	31 December 2013
	£	£	£	£
Fixed asset timing differences	125,585	174,735	-	-
Other timing differences	11,932	14,923	-	-
Losses and other deductions	820,467	321,787	-	-
	<u>957,984</u>	<u>511,445</u>	<u>-</u>	<u>-</u>

#### 18. Called-up share capital

	31 December 2015	31 December 2014
	£	£
Authorised, called-up, allotted and fully paid 21,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>

#### 19. Profit and loss account

	£
At 1 January 2015	23,430,457
Profit/(Loss) for the financial year	<u>(2,701,538)</u>
	20,728,919
Dividends paid on equity shares in year	-
At 31 December 2015	<u>20,728,919</u>

# Music Sales Limited

## Notes to the financial statements Year ended 31 December 2015

### 20 Reconciliation of movements in shareholder's funds

	31 December 2015 £	31 December 2014 £
Loss for the financial year/period	(2,701,538)	(834,777)
Dividends paid on equity shares in year	-	(2,268,000)
Net decrease in shareholder's funds	(2,701,538)	(3,102,777)
Opening shareholder's funds	23,451,457	26,554,234
Closing shareholder's funds	20,747,919	23,451,457

### 21 Dividends on equity shares

Amounts recognised as distributions to equity holders in the year/period

	31 December 2015 £	31 December 2014 £
Final dividend for the year ended 31 December 2015	-	2,268,000
	-	2,268,000

### 22 Royalty commitments

Royalty advance payment commitments that are not recognised on the balance sheet fall due as follows

	31 December 2015 £	31 December 2014 £
Within one year	289,585	913,129
After one and within five years	151,764	411,349
	441,349	1,324,478

### 23. Operating lease commitments

At 31 December 2015 the Company had annual commitments under non-cancellable operating leases which expire as set out below

	Land and buildings		Other items	
	31 December 2015 £	31 December 2014 £	31 December 2015 £	31 December 2014 £
Leases which expire				
Within one year	-	-	13,462	53,781
Between two and five years	-	-	108,904	49,599
After more than five years	1,274,311	1,255,870	-	52,000
	1,274,311	1,255,870	122,366	155,380



## Music Sales Limited

### Notes to the financial statements Year ended 31 December 2015

#### 24 Contingent liabilities

The Company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other Music Sales Group companies' unpaid debts in this connection

Certain of the Music Sales Group companies have provided cross guarantees to a bank under which such companies guarantee to the bank on a joint and several basis, all present and future group indebtedness in respect to the group overdraft facility

#### 25. Related party transactions

As a wholly-owned subsidiary the Company has taken advantage of the exemption within Financial Reporting Standard No 8 'Related party disclosures' with respect to the disclosure of transactions with related parties which are part of the Music Sales group

Amounts owed by related party undertakings	31 December 2015 £	31 December 2014 £
Glad Music Ltd	52,396	17,725
Twangy Music Ltd	26,167	22,662
Veronica Music Ltd	63,449	38,035
Hao Hao Music Sales Ltd	687,799	654,266
Moving Image Music Ltd	50,846	29,987
Sabre Music Ltd	32,336	18,653
Ixion Publishing Ltd	9,767	5,318
Madena Publishing Ltd	4,188	1,637
Whitman Publishing Ltd	293	239
Music Sales Pty Ltd	-	303,778
Music Sales Digital Services LLC	2,307	218,392
G Schirmer Inc	17,964	17,214
Focus on Sound Ltd	-	110,441
O'Music Ltd	-	18,558
B W Investments Ltd	26,209	15,603
Editions Musicales Francaises	-	12,242
Newman Street Investments Ltd	37,757	26,604
Reba Music Sales	20,642	20,642
NTM Investments	18,904	8,534
Wise I	26,004	17,483
Wise II	59,412	44,292
Wise IV	32,075	20,327
Wise Enterprises S L	-	11,984
Mr H Hei	-	5,292
MSPTY	345,247	-
Focus on Sound	822	-
MS Australia	81,246	-
MS Corp	796,678	-
W E E	11,984	-
Rel Pty Directors Loan	16,727	-
	<u>2,421,219</u>	<u>1,639,908</u>

## Music Sales Limited

### Notes to the financial statements Year ended 31 December 2015

#### 25. Related party transactions (continued)

	31 December 2015 £	31 December 2014 £
<b>Amounts falling due after more than one year</b>		
Wise Investments SARL	43,787	43,787
	<u>43,787</u>	<u>43,787</u>
<b>Amounts owed to related party undertakings</b>		
Hal Leonard Europe Ltd	79,812	261,998
Connelly Basart Muziek BV	-	91,781
O'Music Ltd	1,271	2,202
Music Sales Digital Services LLC	598,108	239,689
Hansen/Chester New York	12,006	12,006
Music Sales Pty Ltd		81,830
Rising Software Pty	795	636
Editions Musicales Francaises	35,921	-
Music Sales Corporation	269,094	-
	<u>997,007</u>	<u>690,142</u>
<b>Amounts owed after more than one year</b>		
Mr R Wise	988,739	1,368,105
Music Sales Corporation	562,913	562,913
	<u>1,551,652</u>	<u>1,931,018</u>

## Music Sales Limited

### Notes to the financial statements Year ended 31 December 2015

#### 25. Related party transactions (continued)

During the 12-month period Music Sales Limited entered into arms-length transactions and arrangements on normal commercial terms with the following related parties. The Company is related to the companies noted below by common management.

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
<b>Goods sold by Music Sales Limited to:</b>		
Music Sales Corporation	18,381	69,929
Music Sales America	537,695	439,761
Music Sales (Pty) Limited	195,488	227,701
	<u>          </u>	<u>          </u>
<b>Loan interest charged to:</b>		
Music Sales (Pty) Limited		950
Mr H Hei	73	99
Novello Publishing Limited		
Bosworth GmbH		
Premier Music Group SARL		
Worldwide Music Corporation		
	<u>          </u>	<u>          </u>
<b>Loan interest charged by:</b>		
Mr R Wise	23,719	157,957
	<u>          </u>	<u>          </u>

During the 12-month period the Company recharged expenses and charged management fees to the following related companies:

	12 months to 31 December 2015 £	12 months to 31 December 2014 £
<b>Recharges and management fees charged to:</b>		
Hal Leonard Europe Ltd	453,599	504,542
Focus on Sound	20,000	20,000
Music Sales Corporation	86,439	115,243
Music Sales America	-	33,873
Music Sales (Pty) Ltd	12,359	17,497
Novello Publishing Ltd	-	-
Novello & Company Ltd	-	-
Bosworth GmbH	-	-
	<u>          </u>	<u>          </u>

The Company rents an apartment in New York from M B Wise at an annual rent of

\$75,000 (2014: \$75,000)

## **Music Sales Limited**

### **Notes to the financial statements Year ended 31 December 2015**

#### **26. Ultimate controlling party**

The ultimate parent Company and controlling party is Newman Street Investments Limited which is registered in Jersey. Music Sales Group Limited is the largest and smallest undertaking for which group financial statements are prepared. Group financial statements are available from 14/15 Berners Street, London, United Kingdom W1T 3LJ. The immediate parent Company is Music Sales Group Limited, a Company registered in the United Kingdom.

#### **27 Explanation of transition to FRS 102**

This is the first year that the Company has presented its financial statements under the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, no accounting policies have changed to comply with that standard, furthermore there were no adjustments required to equity.